



Pastoralists Areas Resilience Improvement and Market Expansion (PRIME) Project
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Quarter 1 Report: October – December 2012



Pictures: Left – Study Tour to Kenya, Nov '12; Right – PRIME Launch Event, December 18, 2012



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Table of Contents

1. EXECUTIVE SUMMARY	2
1.1 Summary Table.....	3
2. CORRELATION TO MONITORING PLAN.....	3
3. RESULT BY RESULT ANALYSIS	3
3.1 Mobilization and Project Start-up.....	3
3.1.1 Update and Analysis.....	3
3.1.2 Achievement of Results.....	4
3.1.3 Challenges.....	4
3.2 Result 1: Improved productivity and competitiveness of livestock and livestock products	4
3.2.1 Update and Analysis.....	4
3.2.2 Achievement of Results.....	7
3.2.3 Challenges.....	7
3.3 Result 2: Enhance pastoralists adaptation to climate change	7
3.3.1 Update and Analysis.....	7
3.3.2 Achievement of Results.....	8
3.3.3.Challenges.....	8
3.4 Result 3: Strengthened alternative livelihoods for households transitioning out of pastoralism	8
3.4.1 Update and Analysis.....	8
3.4.2 Achievement of Results.....	10
3.4.3 Challenges.....	10
3.5 Result 4: Enhanced innovation, learning and knowledge management.....	10
3.5.1 Update and Analysis.....	10
3.5.2 Achievement of Results.....	10
3.5.3 Challenges.....	11
4. MANAGEMENT AND ADMINISTRATION	11
4.1 Offices, Equipment and Logistics.....	11
4.2 Personnel and Staffing.....	11
4.2.1 Key Personnel	11
4.2.2 Priority Recruitment	12
4.2.2 International Consultants and STTA	12
4.3 Partners	12
4.3.1 PRIME Consortium Partner Updates	12
4.3.2 Other Collaborating Partners	13
5. PLANNED ACTIVITIES	13
6. FINANCIAL SUMMARY	14
ANNEX 1 – SUCCESS STORIES.....	15

1. EXECUTIVE SUMMARY

PRIME is a five-year, USAID-funded initiative designed to support resilience among pastoralist communities in Ethiopia, and thus enhance prospects for long-term development in Ethiopia's dryland landscape where the pastoralist livelihood system prevails. Financed through Feed the Future (FTF) and Global Climate Change (GCC) facilities, program is designed to be transformative, innovative and achieve scale through market-driven approaches to livestock production and livelihood diversification that simultaneously support dryland communities to adapt to a changing climate. In order to achieve its overall goal of **Increasing Household Incomes and Enhancing Resilience to Climate Change through Market Linkages**, the program works to meet the following four major objectives (intermediate results):

- 1) Improved productivity and competitiveness of livestock and livestock products;
- 2) Enhanced pastoralists' adaptation to climate change;
- 3) Strengthened alternative livelihoods for households transitioning out of pastoralism; and
- 4) Ensure enhanced innovation, learning and knowledge management.

The first reporting period (October – December 2012) was a period of high activity for the PRIME project in which a number of critical, time-sensitive start-up activities were undertaken, including fielding of 3 key staff, hiring of national project staff, conducting a participatory partner strategy workshop, developing critical M&E tools, conducting scores of coordination meetings with potential collaborators such as USFS, and hosting a high-profile project launch event. Building on the success of the previous Mercy Corps implemented RAIN+ project, PRIME has been able to expedite and successfully carry forward a number of pastoral support and alternative livelihoods activities. This assistance has translated to over 4,518 households, or approximately 27,108 individuals, benefitting from USG support to Private Veterinary Practices (PVP) and Community Animal Health Workers (CAWHs) during the first quarter of PRIME.

Highlights of our activities during the first reporting period include:

Mobilization and Project Start-up: The PRIME Cooperative Agreement was *signed* on 15 October 2012. Within 10 days a *post award meeting* was held between USAID and Mercy Corps. From Mercy Corps, the Country Director and PRIME Deputy Chief of Party (DCOP) / Alternative Livelihoods Advisor participated. In early November, a *transition plan meeting* for both of Mercy Corps' RAIN and PLI 2 projects into PRIME was held, including the RAIN COP / PRIME DCOP, Mercy Corps Country Director, and from USAID the EG&T team, the Deputy Mission Director, OFDA, the Senior Policy Advisor, and Nutrition Advisor. The *RAIN+ to PRIME Transition Plan* was submitted in early November, along with a *Draft Mobilization Plan*. The PRIME project *COP arrived in-country* within 19 days of signing the CA, and started full-time management of PRIME on 15 November. Mercy Corps hosted all eight PRIME consortium partners for the project internal kickoff workshop 19-21 November which included opening remarks for the Agreement Officer's Representative (AOR). PRIME submitted its first draft Feed the Future indicators on 20 November, within 35 days of signing its CA.

PRIME Launch Event: On 18 December, the PRIME project was launched at the Federal level in a combined day-long event coinciding with the USAID Pastoralist Areas Lessons Learned Bazaar that featured the RAIN and PLI 2 projects. **H.E Sileshi Getahun**, State Minister, Ministry of Agriculture gave the opening address. **Dennis Weller**, USAID Mission Director delivered the key note address. **Dr Mohamed Abdulghani**, President of Somali Region, Chamber of Commerce introduced participants to the growing, untapped potential for economic development in the Somali Region. **Karri Byrne**, COP, PRIME project presented an overview to the project while **Dominic Graham**, Country Director of Mercy Corps/Ethiopia facilitated a question and answer session. Over 145 participants representing the private sector (livestock, dairy, renewable energy and financial services), federal and regional government, UN agencies, industry associations, many projects from the rest of USAID's FtF portfolio as well as other livestock and pastoralist area projects, local and international non-governmental organizations and other donors. Private sector representation was particularly strong at the event, including the participation of Zemen Bank, BelCash Mobile Transfer, as well as private sector processors and seed suppliers.

Kenya Dairy Experience Learning Trip: PRIME sponsored four individuals (3 consortia members and 1 private sector individual) on a week-long study tour to Kenya, visiting a number of innovative livestock production and processing enterprises with strong applicability to the Ethiopian environment. Sites visited included a private sector rangeland management company called National Capital, Anolei Women's Cooperative, Vital Milk Processing, among others. The visit included a visit to two establishments of the SIDAI company, a relatively newly established commercial livestock service center enterprise, based on customer (demand) oriented business offerings and utilizing a franchising model to extend coverage across the country. The PRIME project will likely plan a follow-up visit back to SIDAI with the main participants to include senior Ministry of Agriculture decision shapers as well as private sector investors.

1.1 Summary Table

PRIME is actively working with USAID to finalize both the Workplan and Performance Monitoring Plan (PMP). A draft of the Workplan has been shared with USAID and nearing completion. A final draft of the PMP will be submitted to USAID by February 15, and finalized within 30 days thereafter. This will enable PRIME to report on Summary Table progress beginning with the second quarterly report, to be submitted April 30, 2013.

As part of the Summary Table, costs by result or group of results (both planned and actual) will be included. PRIME is actively working to establish the income stream categorization and establish an accounting and tracking systems to appropriately capture and satisfy this reporting requirement. In service of this, USAID has reviewed and provided approval on December 4 for cost allocations against the project's funding categories, including Feed the Future (FTF), Global Climate Change (GCC), Crisis Modifier and Nutrition. This activity is planned to be completed and reported back to USAID in Quarter 2 of the project (January – March 2013).

2. CORRELATION TO MONITORING PLAN

See notes under Summary Table above regarding the finalization dates of the PMP.

3. RESULT BY RESULT ANALYSIS

3.1 Mobilization and Project Start-up

3.1.1 Update and Analysis

The PRIME Cooperative Agreement was *signed* on 15 October 2012. Within 10 days a *post award meeting* was held between USAID and Mercy Corps. From Mercy Corps, the Country Director and PRIME Deputy Chief of Party (DCOP) / Alternative Livelihoods Advisor participated. In early November, a *transition plan meeting* for both of Mercy Corps' RAIN and PLI 2 projects into PRIME was held, including the RAIN COP / PRIME DCOP, Mercy Corps Country Director, and from USAID the EG&T team, the Deputy Mission Director, OFDA, the Senior Policy Advisor, and Nutrition Advisor. The *RAIN+ to PRIME Transition Plan* was submitted in early November, along with a *Draft Mobilization Plan*. The PRIME project *COP arrived in-country* within 19 days of signing the CA, and started full-time management of PRIME on 15 November. Mercy Corps hosted all eight PRIME consortium partners for the project internal kickoff workshop 19-21 November which included opening remarks for the Agreement Officer's Representative (AOR). PRIME submitted its first draft Feed the Future indicators on 20 November, within 35 days of signing its CA.

PRIME Launch

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PMP & Year 1 Work Plan

The week of 17-21 December, the PRIME consortium worked through updating and development of the project's detailed Performance Monitoring Plan (PMP) and Year 1 Work Plan. Kimetrica Ltd led the PMP work with Mercy Corps facilitating the development of the Work Plans.

RAIN+ to PRIME and PLI 2 to PRIME Transitions

The PRIME project benefits from Mercy Corps' extensive USAID/OFDA funded Revitalizing Agricultural/Pastoral Incomes and New Markets for Enhanced Resilience and Recovery (RAIN+) project as well as its well respected work on the Pastoralists Livelihoods Initiative (PLI) 2 project. On 01 December 2012, Mercy Corps transitioned its RAIN+ project's extensive economic development and resilience enhancing portfolio to the PRIME project in all but 2 woredas of its 7 administrative Zones (in the Somali Region: Shinile, Jijiga, Degehabour and Liben Zones, and in the Oromia Region: Borena, Guji, and East Hararghe Zones), as well as RAIN+'s work in the Federally administered cities of Dire Dawa and Harar. On 31 December 2012, Mercy Corps transitioned its PLI 2 portfolio in the Shinile Zone of the Somali Region to PRIME. These extensive portfolios consist of over 30 small-to-medium-sized enterprise (SME) private sector institutions in the livestock, dairy, agriculture, renewable energy and financial services sub-sectors.

3.1.2 Achievement of Results

PRIME has only launched a limited set of field program activities and is pending finalization of the project PMP and Workplan. The project will begin reporting on results-oriented achievements during the second reporting period.

3.1.3 Challenges

One key personnel position, Learning and Knowledge Management Advisor (IR4 Leader) unexpectedly departed the project as of January 2, moving on for an expatriate position opportunity. Mercy Corps is currently recruiting for a replacement to Fasil Demeke Badrango.

There were a number of holidays during the reporting period, making it a sub-optimal quarter to undertake mobilization and start-up activities.

3.2 Result 1: Improved productivity and competitiveness of livestock and livestock products

3.2.1 Update and Analysis

Commercial-scale Livestock Investments

Initial discussions were held between the PRIME project and two substantial livestock sector investments, a large-scale commercial export-oriented abattoir (slaughterhouse) and a smaller-scale commercial dairy processing facility situated near to Jijiga town, the capitol of Somali Region. The discussions have focused on the roles these investments aim to play in catalyzing broad economic development in the region through creating new and, in the case of the abattoir, diversified markets for producers of livestock and livestock products from the region.

The conversations followed earlier studies on the feasibility of establishing commercial-scale abattoir and dairy investments in the northern Somali Region of Ethiopia, as well as an initial formal assessment which rapidly analyzed the general viability of both investments, funded under the USAID/OFDA funded and

Mercy Corps managed *Revitalizing Agricultural/Pastoral Incomes and New Markets (RAIN)* project. This conversation has been further aided by the initial findings of a Cost Benefit Analysis (CBA) study commissioned by USAID under the *Learning, Evaluation and Analysis Project (LEAP)* which analyzed the same two investments. The preliminary findings of those CBAs indicates the strong likelihood of positive returns from those investments even if the PRIME project were to invest cost-share financing to support more rapid growth of these enterprises.

Kenya Dairy Experience Learning Trip

The PRIME project supported a dairy sector-focused experience exchange learning trip to neighboring Kenya with the objective understand best practices and lessons learned around supporting establishment of growth-oriented dairy production systems, extension services, natural resources management, dairy marketing and processing. The trip participants all worked in the dairy sector in various capacities including the private sector as well as project-based personnel. While the PRIME project only paid for travel and accommodations for the four persons coming from Ethiopia, the overall team also consisted of four people from Ethiopia, three persons from Kenya, and one from Somalia representing a mix of USAID and private donor funded initiatives.

The trip participants visited a number of different dairy sector actors including *National Capital*, a private sector rangeland management company established in 2009 that has taken the function traditionally held by NGOs and government (building the capacity of communities to understand and manage their rangelands and the inter-connected relationships and institutions that traditionally manage them) and developed it into a marketable skillset and private company.

The group then visited *Anolei Women's Cooperative* – a 17-years old group of women that grew from 5 to 33 members and developed a commercial model for bulking milk, including camel milk, from area producers and selling it to dairy traders in Nairobi. This group has managed to develop a system for providing extension services to its suppliers around improved animal husbandry, milk hygiene and quality, and marketing. Their growth process was seen as an example of how the private sector dairy investor from Ethiopia could work with the 5-10 dairy collection groups that they will likely need to source from to improve their sourcing capacities to support planned business expansion.

The group then visited the *Vital Milk Processing Plant* - a dairy plant that processes camel milk and other value added products extracted from camel milk. These include low fat yoghurts (yog'or), sour milk (Susa), fresh pasteurized milk, cold hump and beauty products (skin cleansers, ointments and body lotions). The yoghurt, sour milk and fresh milk are targeted for local consumption whereas the cosmetics are for export especially to Malaysia, South Africa and Dubai. They are however still sold locally in some supermarkets. They bear the brand name, Malaika. Vital uses internet marketing to advertise its products.

The Vital General Manager explained that his best product is the raw camel milk fat since it is easier to handle than fresh milk which is requires a lot of care and upon reaching the destination country it needs registration. His business model is then to work with small-scale camel milk dairies whereby they sell him the camel milk fat, and the local dairy sells the low fat milk to make additional profit. In return, he provides them technical assistance and training for value addition and extraction of the fat. He estimates that to put up a small-scale processor requires \$10,000 per unit and this can be done by a group of entrepreneurs or individuals who are willing to work with him. The Vital plant has a capacity of processing 6,000 liters of milk daily although it currently only processes 300 liters indicating his own needs to grow. Unlike most dairy systems in the pastoral areas of Ethiopia, the Vital dairy has 3 sources of milk: pastoralists, own herds and commercial ranchers. This hybrid sourcing model is one that the PRIME project would likely recommend to investments working with the project.

The group then visited two establishments of the *SIDAI* company in Kenya. SIDAI is the first and most successful commercial livestock service centers enterprise in Kenya. A relatively newly established enterprise, the SIDAI business model is based on customer (demand) oriented business offerings and utilizes a franchising model to extend coverage across the country. With over 25 franchises and 20,000 customers in its first seven months of operation, the SIDAI company model is an exciting example for the Ethiopian

private and public sectors to consider when considering transformative change to Ethiopia's current dominant solitary, sole-proprietor business models which struggle to reach scale due to lack of capital, reputation and easily replicable business models. The PRIME project will likely plan a follow-up visit back to SIDAI with the main participants to include senior Ministry of Agriculture decision shapers as well as private sector investors.

Next, the group visited the *Kabiyet Dairy*. The Kabiyet Dairy Started in 2009 as a farmer co-operative and later upgraded into a company. It has 58 staff, 8 extension officers and 9 elected directors. The dairy has multiple integrated services including financial services, agro-vets, artificial insemination services, and extension services on hay production and animal health care. However, the dairy mainly bulks milk from different collection centers using its 3 cooler trucks each with a capacity of 10,000 liters. Strict quality checks are employed so as to ensure that only quality milk is delivered. These include, alcohol tests, bacterial tests, smell analysis and density checks. Frequent price fluctuations from dairy processors have substantially constrained the company, and for this reason they are working towards upgrading to be a processor themselves. While Kabiyet operates a village bank in collaboration with 17 commercial banks payment to suppliers is done via Mpesa or through the bank.

The group then visited *Tanyikina*, another commercial dairy that like Kabiyet started as a cooperative before evolving into a share company. Tanyikina started around 2005 with only two milk collection centers and now has seven satellite coolers cumulatively receiving about 30,000 liters of milk daily. Tanyikina sells about 85% of their milk to a processor and markets the remaining 5,000 liters daily direct to customers. Its current membership includes 9,811 households with 6,923 shareholders. Tanyikina offers many of the same services as Kabiyet, but is also a SIDAI franchise with 7 vets and 16 inseminators. Tanyikina's village bank has 5,000 members with 80% being dairy producers to whom they offer loans on competitive rates.

The group's second to last visit was to *Baraka Farm* where they observed how this 'home for children' overcame water shortage, land infertility and income shortages to successfully support its orphaned children while being self-sufficient economically. The farm uses a two-herd strategy to improve soil fertility for gardening, produce beef and dairy for sale. Its herd management system demonstrated to the group how small herds of the Kenya Boran and Friesian cattle can symbiotically meet their needs.

Lastly, the group visited a model dairy farmer *Laban*. Laban is a member of Kabiyet Dairy Ltd whose benefit from Kabiyet's training has enabled him to increase his per cow yield to increase from 4 to 16 liters per day. Laban has learned how to produce his own fodder and invested in securing his own water supply from a personal well. For the group, this gave them ideas on how to work along the value chain all the way from processors, through aggregators, inputs suppliers, financial services and finally down to the producer level.

Transfer of RAIN and PLI 2 livestock activities to PRIME

On December 1st 2012, the PRIME project took over the extensive livestock activities initiated by the RAIN project. These activities include working with 16 private veterinary pharmacies (PVPs) and over 164 community-based animal health workers (CAHWs) sourcing from PVPs. The PRIME project also took over working with 5 dairy collection centers across the Shinile and Jijiga zones, three livestock meat markets and village-scale slaughter houses, a number of significant livestock traders, the Jijiga Export Slaughterhouse (JESH) and two aspiring (though currently small) commercial dairies.

The transition included PRIME benefitting from RAIN livestock and dairy technical staff including a senior economic technical team leader and five livestock technical staff specializing in dairy, livestock trade and marketing, livestock production and inputs supply chains (feed, veterinary services and dairy technology inputs), and an emergency animal health services technician.

At the end of December, the PRIME project also absorbed Mercy Corps' PLI 2 livestock activities in the Shinile zone of the Somali region.

3.2.2 Achievement of Results

Of the RAIN project's 16 PVPs and 164 CAHWs, in December the PRIME project began working with 4 of the PVPs and about 41 CAHWs. Measuring of customer (beneficiary) loads for the month, the PRIME project can report that USG assistance supported over 4,518 households (HHs), or approximately 27,108 individuals, through PVPs and CAHWs during the first quarter of the PRIME project activities.

3.2.3 Challenges

PRIME has been delayed in placement of key staff member, Livestock Production and Marketing Advisor (IR1 Advisor), Mr. Jeton Starova. Mr. Starova was approved by USAID on January 16, 2013 and will take-up the position full-time as of March 10, 2013.

3.3 Result 2: Enhance pastoralists adaptation to climate change

3.3.1 Update and Analysis

Under the overall management leadership of Mercy Corps, CARE is the lead on PRIME's Climate Change Adaptation (CCA) and Natural Resource Management (NRM) component that falls under objective 2, but directly supports processes and outcomes in objectives 1 and 3.

Project Launch Workshop

CARE's Program Director and PRIME's IR2 Advisor under CARE attended and supported the project's official launch on December 18th 2012 at the Radisson Blu Hotel in Addis Ababa. CARE developed a brief around PRIME's approach to NRM for the event. The launch was preceded by a learning bazaar for PLI II and RAIN, also attended by CARE and its partners.

PMP and Workplan Development

Kimetrica, PRIME's M&E Contractor, led a five-day Performance Management Plan (PMP) development workshop for all consortium partners from December 17th – 21st in Addis Ababa. Senior representatives from all partner organizations attended the meeting, and actively engaged in identifying program outcomes, outputs and workplan activities.

CARE's IR2 Advisor subsequently worked with the NRM and Climate Change technical teams to develop a comprehensive workplan for this component of the program. CARE's IR2 Advisor also worked closely with the program's Deputy CoP in developing an integrated program workplan that reflected the PMP, and could also serve as a management and quality monitoring tool for implementation.

USAID Environmental Compliance Training

Dr. Kinde Wakwaya and CARE staff attended the USAID Environmental Compliance and Environmentally Sound Design and Management Workshop in Adama from November 26-30. Hosted by USAID Ethiopia, the workshops was designed to 1) strengthen the capacity of implementing partners to incorporate environmentally sound design and management practices into existing programs; 2) improve the ability of implementing partners to apply USAID procedures, regulation 216 and EMMPs; 3) enhance collaboration, networking and exchange. The training included field visits and participants from USAID and other implementing partners.

Development of Environmental Management and Mitigation Plan (EMMP)

CARE's IR2 lead and key Mercy Corps staff worked jointly on the development of PRIME's Environmental Management and Mitigation Plan, as per 22 CFR 216, USAID's Environmental Compliance Procedures, and the initiation Environmental Examination (IEE) developed for Feed the Future programming. The Environmental Compliance training supported the development of the EMMP. A final draft was completed at the time of report writing and submitted internally for review. Clarifying questions are being prepared for the AOR on the environmental review process, and will be submitted before the end of the month. The final EMMP will be submitted to the mission by the February 12th due date.

Meetings with United States Forest Service (USFS)

CARE’s IR2 Advisor attended meetings and has begun discussion with the United States Forest Service (USFS) around how their technical support can be used to support PRIME in its landscape-level NRM and Climate Change Adaptation initiatives. USFS was recruited by USAID to offer support to both PLI I and II in best-practices in rangeland rehabilitation. While continuing to draw on this area of expertise, CARE will work with USFS to provide higher-level expertise in remote sensing mapping and land use planning under PRIME. A tentative time frame had been sent for USFS to support PRIME in developing a business plan for this support in February, and CARE is currently reviewing documents around USFS former missions to Ethiopia to determine where there can be an extension of successful areas of engagement.

3.3.2 Achievement of Results

PRIME has only launched a limited set of field program activities and is pending finalization of the project PMP and Workplan. The project will begin reporting on results-oriented achievements during the second reporting period.

3.3.3.Challenges

No challenges specific to IR2 were experienced during the reporting period.

3.4 Result 3: Strengthened alternative livelihoods for households transitioning out of pastoralism

3.4.1 Update and Analysis

Financial Services – New branches, New Products & Services and New Partnerships

On December 1st, when the RAIN+ project’s financial services activities transitioned into PRIME, momentum was seamlessly picked up resulting in a number of substantial milestones during this first quarter. The Somali Microfinance Institution Share Company (SMFI) began the process of opening 12 additional branches bringing to 14 the total number of branches the SMFI plans to have across the Somali Region. The SMFI has two main types of branches; 5 full services branches which take deposits, administer loans, money transfers and, in the near future, process mobile money (SMS) payments. The second branch type is a money transfer only branch which process wire transfers and, in the near future, mobile money payments. The Somali Regional government is currently the SMFI’s largest money transfer client transferring roughly 16.7million Ethiopian birr (ETB) to its public servants monthly. At a 3% fee, the SMFI has started generating approximately 502,000 ETB/month (US\$ 27,881) in direct revenue from this new service alone.

14 New Branches	
Full Service Branches:	
1.	Jijiga
2.	Shinile
3.	Degehabour
4.	Gode
5.	Kebridahar
Transfer Service Branches:	
1.	Berkod
2.	Shilaabo
3.	Wardheer
4.	Sagag
5.	Aware
6.	Garbo
7.	Fiq
8.	Danan
9.	Marsi

However, the SMFI’s client base for its traditional Islamic loan and savings products remains low (715 clients) though dominated by female clients (over 85%). To boost its client base and better meet the needs and demands of its target customers, Mercy Corps through its RAIN+ and now PRIME project is supporting the SMFI to develop a commercial partnership with a mobile money product provider, BelCash, to reach a targeted 100,000 new customers within the next 1-2 years. BelCash is a Dutch company offering products that transfer money via the phone SMS function with a network of financial institutions and micro- and small-businesses operating branches and agents operating their system. The PRIME project has been working closely with the SMFI supporting its negotiation with Belcash towards a unique partnership being the establishing itself (in the near future) as the only financial service provider in pastoral areas of Ethiopia to offer mobile money services to the community and businesses. The SMFI and Belcash developed and signed a partnership agreement, as well as developed and submitted to the PRIME project its joint business plan for piloting and rolling out this service across the pastoral areas of Ethiopia. The PRIME project is tracking this partnership and investment opportunity as a potential early candidate for the PRIME Innovation and Investment Fund (IIF).

Post-Harvest Grain and Fodder Storage Technology Pilot and Study

Building on the previous work of the Mercy Corps-implemented RAIN+ and EPHSS projects, PRIME is piloting the commercial dissemination of and household use of an innovative post-harvest grain, seed and fodder storage technology. This second phase pilot is supporting the expansion of the supply chains for this technology to agro-pastoralist households across the Jijiga Zone. It is also working closely with Tufts University, Jijiga University and Haramaya University to test the effectiveness of the technology in storing maize and sorghum grains, seeds and crop residue as food and fodder for households and their livestock. The study is also looking at the appropriateness of the technology to the targeted customers and comparing it with comparable technologies and storage practices. If the pilot and study are able to prove the technologies appropriateness and effectiveness, PRIME will consider options for scaling-up access to the technology. In this regard, the PRIME project was recently contacted by larger commercial enterprises actively marketing similar but different products such as the GrainPro product line, who have shown interest in investing in expansion to pastoralist area markets.

Low-Cost Manual Borehole Drilling for Irrigated Horticulture and Fruit Orchards

A growing alternative economic activity for households transitioning out of Pastoralism (TOPs) in riverine areas around Jijiga, parts of Shinile Zone and areas of Borena and Liben Zones is irrigated horticulture and fruit orchards. While the Bureau of Agriculture (BoA) under the Somali Regional State (SRS) has been distributing small-scale motorized water pumps to growing numbers of vulnerable households within penetrable water tables, a major constraint remains that most of these households and producer groups do not have the financial resources needed to procure motor-drilled boreholes, and many do not have access to water ways. However, PRIME has begun working with two private manual borehole drillers who use the drilling technique called ‘simple sludging’ to punch down 20-30 meters into robust but otherwise inaccessible water tables in areas where rainy season agriculture has recently been practiced alongside livestock grazing. These two micro-businesses can develop a borehole including sleeve and pack, for a fraction of the cost of motorized borehole drillers. PRIME is developing a pilot that will support the business growth and market expansion of these two businesses to TOPs households in the fairly narrow Fafaan-Tiktum areas while monitoring any resource management and environmental impacts resulting from the TOPs using the water and land for livelihood diversification. If this climate adapting technology proves well-suited for this and other similar areas across PRIME’s pastoral areas, and the land/resource management and environmental impacts are negligible and/or manageable, PRIME will consider whether to support scaling of the enterprises to those areas.

TOPs Rapid Assessment

To understand the many types of TOPs who are migrating to urban centers, and their context, the PRIME project already started to develop an instrument to rapidly identify, map and analyze the resources available to TOPs. Analysis includes the private sector which is hoping to engage them as employees, MFIs interested in them as customers, the local government and chambers of commerce who see them as potential entrepreneurs, and the local technical training centers, community-based organizations and town clan associations who are positioned to provide needed technical and social supports.

This pilot study launched in December is inventorying and examining resources available to, mandated to and targeting assistance to urban migrants who are transitioning out of pastoralism and into urban systems in Kebribayah town, Somali region. In addition, analysis is conducted regarding resources available to, mandated to and targeting assistance to employers seeking prospective employees. A further aim of this pilot study is the testing and refining of the survey instrument and methodology so that it can effectively be scaled-up for most towns across the pastoral areas of the Somali Region, and then adapted for use in PRIME’s Oromia and Afar areas.

Renewable Energy (Micro-Solar) Private Sector Partnerships

The PRIME project has been approached by two international companies marketing micro-solar technologies across Africa and other developing regions. Both companies have strong track records in Africa, but penetration to Ethiopia has been slow due to common challenges including poor understanding by import Customs of the duty free status of Lighting Africa certified products, the financial burden of Ethiopia’s letter

of credit (LOC) requirements, and the new nature of their franchising models to Ethiopia. However, both companies have had growing success over the last 18-24 months partnering with Ethiopia importers and distributors around setting up in-country service centers to service their product warranties, training their management and marketing staff on social marketing techniques and models, and setting up franchise networks. After learning via their networks in northern and western Ethiopia, both of these companies now see households in pastoral Ethiopia, and the PRIME project, as their next major market expansion push. The PRIME project has numerous initial conversations with both companies and their local affiliates. Those conversations have covered many topics including suggestions from PRIME for how the companies can identify and engage local regional distributors in places like Jijiga, Yabello, and Dire Dawa, as well as community-based retailers and agents like private veterinary pharmacies, CAHWs, village savings and loans associations (VSLAs), and other non-traditional pastoralist models and investors unfamiliar to them. Both are currently developing their business expansion plans, with one already having already submitted a draft to PRIME. Based on the viability of their plans, timeline and ambition, PRIME expects to work together with the Ethiopian distributors of these companies as they expand their supply chains to Ethiopia's pastoral areas.

3.4.2 Achievement of Results

PRIME has only launched a limited set of field program activities and is pending finalization of the project PMP and Workplan. The project will begin reporting on results-oriented achievements during the second reporting period.

3.4.3 Challenges

No challenges specific to IR3 have been experienced during the reporting period.

3.5 Result 4: Enhanced innovation, learning and knowledge management

3.5.1 Update and Analysis

Project Management Plan (PMP) development workshop

The PMP workshop was conducted during 17th -21st December 2012. All key partners participated in the workshop. The main objective of the workshop was to identify all the key outcomes, outputs, and activities for the 4 IRs. Kimetrica was the lead facilitator and provided technical assistance in identifying appropriate outcomes, outputs, and measurable key result indicators. The workshop successfully completed identifying the outcomes, and outputs for the all the IRs. Due to time constraints, some activities for the outputs in all IRs were to be completed after the workshop, however partners indicated a high degree of satisfaction with the process, and felt that it had been an excellent opportunity to think through the project logic, and gain a deeper understanding of how the partners would work together.

Development of draft PMP application

All the information identified during the workshop (outcomes, outputs) and outside the workshop (activities) was consolidated into a draft PMP application on access. Key result indicators that were identified in the workshop were refined to ensure that they were SMART indicators. A maximum of three indicators per key result were identified. FTF indicators were also identified and incorporated either in the key result indicators or the project goal indicators.

Partner work plans incorporated into project management software (Ki-projects)

Kimetrica is in the process of uploading partner work plans into project management software (Ki-projects). Given the extensive reach of the project and multiple implementers, each IR will be incorporated into the software as one project. This will make it easier to follow through for all project managers.

3.5.2 Achievement of Results

PRIME has only launched a limited set of field program activities and is pending finalization of the project PMP and Workplan. The project will begin reporting on results-oriented achievements during the second reporting period.

3.5.3 Challenges

Consultations required between the 8 consortium partners and USAID have required longer than anticipated. Due in part to this, PRIME does not yet have the final version of a PMP or Workplan. However the PRIME Senior Management Team feels that the delay was well worth the increased understanding of the project (in particular related to market-based approaches) gained during the discussions. Ensuring a functioning M&E system is in place is a priority for second quarter IR4 activities.

4. MANAGEMENT AND ADMINISTRATION

4.1 Offices, Equipment and Logistics

The PRIME project works with multiple partners across a wide geographic area. The head office in Addis Ababa is hosted by Mercy Corps, in addition to field offices in Oromiya and Somali Regions. CARE hosts field offices in Afar. The following chart provides indicative numbers on the progress of office establishment, staffing and vehicle procurement across the PRIME office locations:

	Location	Lead Org	Office Open		Staffing		Vehicles	
			Yes	No	Plan	Hired	Planned	Have
Addis	Addis Ababa	Mercy Corps			57	43	2	1
Afar	Gewane	CARE		x	26	10	3	1
	Semara	CARE	x		1	1	0	0
Oromiya	Yabello - Borena	CARE	x		23	16	3	1
	Negelle	Mercy Corps	x		42	39	5	0
	Moyale	Mercy Corps	x		17	16	2	0
	Haramaya	Haramaya	x		30	4	1	0
Somali Region	Jijiga	Mercy Corps	x		37	34	4	0
	Dire Dawa	Mercy Corps		x	27	24	3	1
	Dollo	Pastoralist Concern	x		26	15	2	0

4.2 Personnel and Staffing

Much of the activity of the reporting period focused on staffing-up. Overall, the PRIME project has 286 positions budgeted and has recruited 71% of these positions, across all of its implementing partners. The Senior Management Team has been mobilized, and is anticipated to be complete by the end of the second project quarter. Remaining key staff positions to fill include the Learning and Knowledge Management Advisor (IR4 Leader) and the Innovation & Investment Fund (IIF) Manager, both of which are currently being advertised. Over 50 staff, including Regional Programs Managers, Project Managers, Technical Team Leaders, Value Chain personnel for livestock, dairy, agriculture, animal health, financial services, renewable energy, WASH, infrastructure, NRM as well operations teams of Regional and field office level finance, logistics and HR/admin started delivering the PRIME project within less than two months of signing PRIME's CA.

4.2.1 Key Personnel

The Chief of Party (Karri Goeldner Byrne), DCOP/IR3 Alternative Livelihoods Advisor (Tate Munro), IR2 NRM and Climate Change Advisor (Olga Petryniak), and IR4 Knowledge Manager, Learning and Innovation Advisor (Fasil Demeke Badrango) all arrived in-country and took up positions on the PRIME project during the first reporting period. The Livestock Production and Marketing Advisor (IR1 Leader), Jeton Starova, will start on March 10, 2013.

Key Personnel			
Name	Position	Organization	Start Date
Karri Goeldner Byrne	Chief of Party	Mercy Corps	Nov 15, 2012
Tate Munro	DCOP / Alternative Livelihoods Advisor (IR 3)	Mercy Corps	Oct 15, 2012
Olga Petryniak	GCC / NRM Advisor (IR 2)	CARE	Oct 15, 2012
Jeton Starova	Livestock Production and Marketing Advisor (IR 1)	Mercy Corps	March 5, 2013
TBD	Learning and Knowledge Management Advisor (IR4)	Mercy Corps	TBD

As of January 2, 2013 the Learning and Knowledge Management Advisor (IR4 Leader), Mr. Fasil Demeke Badrango, departed the project in order to pursue another expatriate opportunity. Mercy Corps is actively recruiting for his replacement, and expects to have the position filled in the second reporting period.

4.2.2 Priority Recruitment

Mercy Corps: Priority leadership recruitment for Mercy Corps includes a replacement to the key personnel position vacated by Fasil Demeke Badrango, Learning and Knowledge Management Advisor. Additionally, Mercy Corps is actively recruiting for an Innovation and Investment Fund Manager and Senior Policy Advisor. Mercy Corps expects to have these positions in place by the end of March 2013.

CARE: CARE posted job descriptions for two key technical advisors under the IR2 lead as well as its Program Manager for PRIME in November. Candidates were short-listed in this quarter, written exams administered, and final candidates selected for interview. As of the time of report writing, CARE's PRIME's Deputy IR2 lead/Climate Change Advisor, the NRM/Drylands Ecology Advisor, and the CARE Pastoral Resilience and Livelihoods Program Manager who will oversee PRIME implementation had signed employment agreements and were on board. In addition, CARE has initiated recruitment for PRIME's Gender Advisor. CARE already has in place the Capacity-building Advisor who will mentor PRIME consortium partners in the areas of organizational development and human resource management.

Kimetrica: Kimetrica developed the terms of reference for two positions (Knowledge Management Advisor and Assistant) and posted the job advertisement to several Ethiopian job links. 78 Submitted CVs were reviewed and 4 candidates were shortlisted. Several interviews took place for the Knowledge management Advisor position and one successful candidate was chosen. Currently, we are in the process of interviewing candidates for the Knowledge Management Assistant Position.

4.2.2 International Consultants and STTA

PRIME benefitted from the services of international consultants and headquarters STTA during the reporting period, including the following:

Jill Hicks was retained by PRIME in December 2012 to perform key administrative and start-up support activities. Working closely with PRIME's senior leadership team, Ms. Hicks worked to support the coordination, organization and initiative of the program launch event, drafting of Environmental Management and Mitigation Plan (EMMP), and develop complex program documentation requirements, including a *Risk Register* and *Issues Log*.

4.3 Partners

4.3.1 PRIME Consortium Partner Updates

Consortium finance personnel meeting

Following the PMP development workshop, a one day meeting for consortium-member finance personnel was organized by Mercy Corps on December 27th. The main objective of the meeting was to introduce finance leaders from the consortium to each other, share experience around grant management, and support

partners to understand the types of systems that will be required to manage PRIME's complex financial reporting requirements. Key agreements from the meeting included:

- Quarterly financial reports from partners to be submitted on or before the 15th after the quarter ends
- All Financial personnel of the consortium member to meet quarterly on the 27th after the quarter ends
- Carry out 1-to-1 partner support meetings on the 20th every month, if need arises

Progress on partner sub-agreements

A major focus of Mercy Corps' work throughout the first quarter of project implementation has been the development of partner sub-agreements. While no sub-agreements had been executed by the end of the reporting period, steady progress has been made. Critical to the development of these sub-agreements and facilitating stronger understanding of roles and responsibilities, Mercy Corps facilitated a workshop among all PRIME partners in December and has been actively drafting and negotiating agreements. In addition, all sub-partners have had Pre-Authorization Letters within 30 days of PRIME award. All sub-awards are planned to be completed by the end of the second reporting period.

4.3.2 Other Collaborating Partners

AGP-LMD / PRIME collaboration

The PRIME project has been assisting the AGP-LMD project in development of the scope of work (SOW) for its upcoming End Market Assessment (EMA) activity for Ethiopian livestock products. With both projects having launched this last quarter, the PRIME and LMD projects are already communicating regularly around livestock sector complementarities and collaboration invoking Feed the Future's (FtF's) PUSH-PULL forces.

DRM-FSS and RED-FS engagement

The PRIME project met with representatives of the Drought Risk Management Food Security Sector (DRM-FSS) working group leads Adrian Cullis and Gijs vant Klooster, also of FAO, discussing collaboration between the two entities. The main themes focused on strategic analysis of the evolving Ministry of Agriculture's (MoA's) livestock sector changes and how to this may create opportunities to translate into support for PRIME's transformation systems change initiatives for the sector during the course of the project. The PRIME project also participated in last month's RED-FS meeting hosted at DFID and led by USAID.

PRIME has attended USAID's Feed the Future Portfolio Coordination meeting, in addition to the Africa Investment Forum during the reporting period. Other projects / programs with which PRIME has met and is actively coordinating activities include:

- ACDI-VOCA's AGP-AMDe and FEED projects
- International Livestock Research Institute (ILRI)
- Save the Children's ENGINE project
- Ethiopian Society of Animal Production
- Biodiversity International
- Catholic Relief Services (CRS)
- CARE's GRAD project

5. PLANNED ACTIVITIES

PRIME is nearing completion of a Workplan, to be submitted and approved by USAID during the next reporting period. In addition to the activities identified in this workplan, PRIME would like to flag the following priority activities for the coming reporting period:

- Finalization and approval of Performance Monitoring Plan (PMP) and Year 1 Workplan;
- Standardized reporting system developed and rolled-out to field;
- Negotiations with Regional Governments
- Roll-out of IIF Manual and at least two commercial-scale livestock investments;
- Baseline survey conducted;
- NRM stakeholder consultations;

- Hiring of the IR4 Leader and the IIF Manager
- Operational set-up of PRIME Addis office

6. FINANCIAL SUMMARY

PRIME is actively working to establish the parameters of budget categorization and establish an accounting system to appropriately capture and satisfy the requirement to report financial expenditure data in reference achievements by funding sources. This reporting will include statements of whether each result is “less than anticipated, on target with estimates, or more than anticipated”, and accompanying causes / rationale. While this reporting modality is not yet available, we anticipate the system to be fully established and operational during the second quarter of implementation. In service of this, USAID has reviewed and provided approval on December 4 for cost allocations against the project’s funding categories, including Feed the Future (FTF), Global Climate Change (GCC), Crisis Modifier and Nutrition. This activity is planned to be completed and reported back to USAID in Quarter 2 of the project (January – March 2013).

ANNEX 1 – SUCCESS STORIES

Kenya Livestock Cross Visit Breeds Foundations for Success

Mercy Corps launched the USAID-funded Pastoralist Resilience Improvement and Market Expansion (PRIME) in October 2012 to assist pastoralist populations in Afar, Oromiya, and Somali Regions of Ethiopia. The situation facing pastoralists in these regions is critical, with eroding terms of trade between livestock and non-livestock products and persistent rainfall deficits across Ethiopia over the past two years. In response, Mercy Corps and seven other local and international partners have come together to identify, test and support solutions, breeding the foundations for success through learning and collaboration with other programs and investments in Ethiopia and elsewhere.

Recognizing the tremendous strides undertaken in Kenya's, one of the very first activities undertaken by the five-year PRIME project was a cross-visit experience sharing visit with successful Kenyan livestock investments and activities. A small team was sent representing Mercy Corps, the Ethiopian Aged and Children Pastoralists Association (ACPA), and a private investor to identify highly relevant initiatives that might be replicated or adapted to the Ethiopian context for one week in November 2012.

Early in the experience-sharing trip the team visited the Vital Milk Processing Plant, a dairy plant that processes camel milk and other value-added products extracted from camel milk. These include low fat yoghurts (yog'or), sour milk (Susa), fresh pasteurized milk, cold hump and beauty products (skin cleansers, ointments and body lotions). The yoghurt, sour milk and fresh milk are targeted for local consumption whereas the cosmetics are for export especially to Malaysia, South Africa and Dubai. Unlike most dairy systems in the pastoral areas of Ethiopia, the Vital dairy has 3 sources of milk: pastoralists, own herds and commercial ranchers. This hybrid sourcing model is one that the PRIME project would likely recommend to investments working with the project.



The group then visited two establishments of the *SIDAI* company in Kenya. *SIDAI* is the first and most successful commercial livestock service centers enterprise in Kenya. A relatively newly established enterprise, the *SIDAI* business model is based on customer (demand) oriented business offerings and utilizes a franchising model to extend coverage across the country. With over 25 franchises and 20,000 customers in its first seven months of operation, the *SIDAI* company model is an exciting example for the Ethiopian private and public sectors to consider when considering transformative change to Ethiopia's current dominant solitary, sole-proprietor business models which struggle to reach scale.

Commenting at the end of the visit, Ms. Najat Abdimohamed from ACPA said, "Much was learned during our visit to Kenya that I am excited to try under the PRIME project in Ethiopia. First, by coming together, producers can have a voice and get better payments for their products. Secondly, camel milk can be collected from multiple sources and marketed to global consumers. Lastly, franchising models could be an innovative, and under-utilized, method of rapid expansion of livestock service centers and other rural enterprises in Ethiopia."